

**ANDHRA PRADESH LEGISLATURE**  
**(ELEVENTH LEGISLATIVE ASSEMBLY)**

**TENTH REPORT**  
**OF**  
**THE COMMITTEE ON PUBLIC**  
**UNDERTAKINGS**  
**(2000 - 2001)**

**ON**

**The Audit Paragraphs Contained in the**  
**Report of the Comptroller and Auditor**  
**General of India (Commercial) for the**  
**years 1996-97 & 1997-98**

**on**

**A.P. STATE TRADING CORPORATION**  
**LIMITED**

*(Presented to the Legislature on 29-03-2001)*

Andhra Pradesh Legislature (P.U.C.) Secretariat  
Public Gardens, Hyderabad - 500 004.

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ANDHRA PRADESH LEGISLATIVE ASSEMBLY  
COMMITTEE ON PUBLIC UNDERTAKINGS  
(2000-2001)  
(Constituted on the 3rd April, 2000)

CHAIRMAN:

1. Sri A. Venkata Suryanarayana Raju

MEMBERS:

2. Sri Anne Babu Rao
3. Sri Balli Durga Prasad Rao
4. Sri S.A. Khaleel Basha
5. Sri P. Mahender Reddy
6. Smt P. Ananta Laskshmi
7. Sri B. Janardhan
8. Sri R. Prakash Reddy
9. Sri Kondabala Koteswara Rao
10. Sri Kanna Lakshminarayana
11. Sri Patil Venugopala Reddy
12. Sri T. Jeevan Reddy
13. Sri M. Narsimhulu
14. Sri Kandula Nagarjuna Reddy
15. Sri Akbaruddin Owaisi

SPECIAL INVITEES:

16. Sri Reddy Satyanarayana
17. Sri M. Dharma Rao

LEGISLATURE SECRETARIAT:

- |                            |                     |
|----------------------------|---------------------|
| 1. Sri K. Tuljanand Singh, | Secretary           |
| 2. Sri R. Bhaskaran        | Joint Secretary     |
| 3. Sri B. Padma Reddy      | Assistant Secretary |
| 4. Sri A. Ram Reddy        | Section Officer     |

## INTRODUCTION

I. the Chairman of the Committee on Public Undertakings (2000-2001) having been authorised by the Committee to present the Report on their behalf, present this Tenth Report on Andhra Pradesh State Trading Corporation Limited.

The Committee on Public Undertakings (2000-2001) have examined the Reports of the C & A.G. of India (Commercial) for the years ended 31 March, 1997 and 1998 during the period from 27-4-2000 to 24-1-2001.

The Committee (2000-2001) have considered and approved this Report at their sitting held on 20-3-2001.

A Statement showing the summary of principal recommendations/observations of the Committee is appended to this Report.

A record of proceedings (\*) of the sitting of the Committee which has been maintained forms part of this Report.

The Committee wishes to express their thanks to the Principal Secretary to Government, Industries and Commerce Department and the Managing Director Andhra Pradesh State Trading Corporation for the Co-operation they have extended and for placing the required information and material before the Committee.

The Committee places on record their appreciation of the assistance rendered to the Committee by the Accountant General (Audit)-II, Andhra Pradesh, the Senior Deputy Accountant General (Commercial) and other Officers and staff of the Accountant General's Office.

The Committee also places on record their appreciation of the assistance rendered to the Committee by the Secretary to State Legislature and the other Officers and staff of Legislature Secretariat in the Examination of the general

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(\*) One Cyclostyled copy laid on the table of the House and one copy placed in the Legislature Library

working and audit paras relating Andhra Pradesh  
State Trading Corporation and in preparation of  
this Report.

A.V. SURYANARAYANA RAJU,  
Chairman,  
Committee on  
Public Undertakings.

Hyderabad,  
Dated: 20-3-2001.

REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS  
(2000-2001)

A.P. STATE TRADING CORPORATION LIMITED

REPORT OF C&AG OF INDIA FOR THE YEAR 1996-97  
(COMMERCIAL)

(a) HIRING SPACE WITHOUT UTILITY (para 4A.6.1):

1.1 The Company became a share holder (9/94) in IIMC (Indian International Marketing Centre) on payment of Rs. 10 lakh to secure allotment of office cum show room space (48.25 Sq.Mtrs) at Rotterdam (Netherlands). The space was proposed to be used to improve exports and as a window of exportable products in the State and South India. Advance rent of Rs. 3.25 lakh for one year was paid (8/95) and lease period came into effect w.e.f. 1.11.95. Total rent paid (11/95 to 3/97) was Rs. 7.22 lakh. The Company also paid Rs. one lakh for having survey conducted by Indian Institute of Foreign Trade (10/96). In total, an amount of Rs. 13.25 lakh (share capital and advance rent) and Rs. 5.43 lakh (loss of interest) were held up (3/97).

1.2 The Company in its explanatory notes stated that inspite of the best efforts made by the Company, the office space at Rotterdam could not be utilised.

1.3 The Government in its reply remarked that the Company has to undertake a comprehensive study and assess possible future implications before taking up any activities of this nature.

1.4 The Principal Secretary to Government of Andhra Pradesh, Industries & Commerce Department, in his oral evidence stated that pre-market survey was not done and it was an omission. He also informed the Committee that a comprehensive note on the entire issue will be submitted.

1.5 The Committee feels that proper pre-market survey was not done before entering into an agreement and the space was kept vacant for the entire agreement period.

1.5 The Committee, therefore, strongly recommends that a detailed note on the entire issue be furnished to the Committee and the action taken against the officers responsible for the lapse in this regard be also intimated to the committee immediately.

REPORT OF THE C & A G OF INDIA FOR THE YEAR 1997-1998 (Commercial):

(b) Expenditure on foreign Travel. (Para 4A.4.1)

2.1 The State Public Sector Undertakings depute their personnel on Foreign Travel for the purpose of training, participation in fairs, seminars and meetings etc. They do not have their own set of guidelines to regulate the foreign travel claims of their employees but follow the RBI guidelines, according to which an exchange upto US \$ 500 per day for Chief Executive/Sr. Executive and US \$ 350 per day for others is allowed while on foreign tour for a period of 45 days.

2.2 An employee of the Company who went to Bangladesh in August and December 1996 drew an advance of US \$ 7250 as DA is foreign exchange permitted under RBI guidelines and entertainment allowance. He had submitted the detailed TA bill in August 1996 and January 1997 but it was not settled till date.

2.3 The MD of the Company went to Bangladesh thrice during 1996-97 and 1997-98 and was paid DA @ US \$ 500 per day instead of eligible rate of DA @ US \$ 60 per day as per rates fixed by Government of India in addition to expenses or accommodation etc.

2.4 The Company in its explanatory notes stated that the detailed Tour Bill of the MD was settled as per resolution of the Board of the Company by adopting the DA rates @ US \$ 500 per day. However, the Detailed Tour Bill of the other employee of the Company was not settled for want of guidelines on other than the DA expenses.

2.5 The Secretary to Government Industries and Commerce, in his oral evidence stated that there were no separate guidelines for State Government officials/State PSU's officials for drawal of Foreign exchange. Further, the Board of the Company has also since resolved (in respect of the MD of the Company) to sanction DA rates for Foreign travel at the rates approved by the Government of India.

2.6 In the absence of specific guidelines from the State Government on regularisation of DA rates on foreign travel for State Government officials/State PSU employees, it is observed that



the employees of Public Sector Undertakings/State Government officials are taking undue advantage, as evident in this instant case, of RBI guidelines which is basically meant for foreign exchange regulation and not D.A. rate of the employees of State PSUs/State Government. Further, to observe economy and control over expenditure it would be appropriate on the part of the Government to follow the countrywise D.A. rates followed by Government of India for its employees till State Government comes out with its own guidelines in this regard.

(c) General:

ACTION PLAN:

3.1 As far as liberalization is concerned there are lot of changes in market trends. In accordance with these changes, the Company has to come out with a proper action plan atleast for a period of 5 years, in relation to export promotion of various items which are being manufactured/prepared particularly in Andhra Pradesh. For this, proper market survey shall also be conducted for selection of items which are to be marketed in foreign market.

## SUMMARY OF RECOMMENDATIONS

1. The Committee feels that proper pre-market survey was not done before entering into an agreement and the space was kept vacant for the entire agreement period. The Committee, therefore, strongly recommends that a detailed note on the entire issue be furnished to the Committee and the action taken against the officers responsible for the lapse in this regard be also intimated to the Committee immediately. (Paragraph No. 1.5)

2. In the absence of specific guidelines from the State Government on regularisation of DA rates on foreign travel for State Government officials/State PSU employees, it is observed that the employees of Public Sector Undertakings/State Government officials are taking undue advantage, as evident in this instant case, of RBI guidelines which is basically meant for foreign exchange regulation and not D.A. rate of the employees of State PSUs/State Government. Further, to observe economy and control over expenditure it would be appropriate on the part of the Government to follow the countrywise D.A. rates followed by Government of India for its employees till State Government comes out with its own guidelines in this regard. (Paragraph No. 2.6)

3. As far as liberalization is concerned, there are lot of changes in market trends. In accordance with these changes, the Company has to come out with a proper action plan atleast for a period of 5 years, in relation to export promotion of various items which are being manufactured/prepared particularly in Andhra Pradesh. For this, proper market survey shall also be conducted for selection of items which are to be marketed in foreign market. (Paragraph No. 3.1)